

ADMINISTRATIVE - INTERNAL USE ONLY

28 December 1983

MEMORANDUM FOR: Office of Legislative Liaison

ATTENTION:

FROM:

C/OP/HRPS

SUBJECT: Under-Age 62 Retirement COLA Reduction -
Estimated FY 1985 Cost of a Mandatory
CIARDS Retirement Exception

REFERENCE: Fact Sheet - 1982 OMNIBU Bill P.L. 97-253

1. This memorandum provides the rationale for a recent cost estimate provided to you. The estimate of \$53,000 represented the projected maximum cost of providing CIARDS mandatory-age retirees with an exception to the reduction in their retirement FY 1985 COLA, required because they were under the age of 62. The following rationale is based upon the assumption that the exemption would apply only to those CIARDS retirees who were required to retire at age 60, and who will be under age 62 in March of FY 1985.

2. Factors that were were part of the cost estimate include:

- a. Total effected retirees =
 - °FY 1983 mandatory retirement
 - °FY 1984/85 mandatory retirement
- b. Average FY 1985 annuity = \$28,000
 - °Current average annuity for the 464 CIARDS retirees between age 60 and 62 is \$27,800, or
 - °Assume \$46,500 high-3-year average salary with 30 years service produces a \$28,000 annuity.
- c. Maximum annuity reduction = 3.5%
 - °3.6% for 2/3 year = 2.4% annual
 - °3.3% for 1/3 year = +1.1% annual
 - Total = 3.5% annual
- d. Maximum incremental cost impact = \$53,000
 - °\$28,000 x .035 x 54 = \$52,920
- e. OMB based incremental cost impact = \$14,000
 - °4.4% projected FY 1985 COLA results in .9% annual loss rate
 - °\$28,000 x .009 x 54 = \$13,608

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STAT 3. I have coordinated the results of this projection with [] (C/COMP) and [] (DC/RAD), both of whom concur with the methodology used in the estimate. The detail information was obtained from the Personnel and Finance databases, and can be provided upon request.

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Reference: Fact Sheet on COL Adjustments

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FACT SHEET

Congress recently approved H. R. 6955 which makes certain changes to the Civil Service Retirement Law and Federal pay. The following factual information is provided to help answer inquiries which you may have or receive. Detailed information concerning H. R. 6955 will be furnished later.

COST-OF-LIVING ADJUSTMENTS

Section 301 of enrolled bill H.R. 6955 would make certain changes in cost-of-living adjustments for Civil Service annuitants and other Federal retirees during fiscal years 1983, 1984, and 1985.

The effective date of Civil Service Retirement cost-of-living adjustments would be changed from the current March 1 of each year to April 1, 1983; May 1, 1984; and June 1, 1985. Notwithstanding this change in effective dates, the amount of the cost-of-living adjustments would continue to be based on the December-to-December increase in the Consumer Price Index, as under present law. In 1986 and subsequent years, the current March 1 effective date would once again apply.

In addition, certain Civil Service annuitants would receive less than the full cost-of-living adjustments in these three fiscal years. Those affected would be annuitants who are under the age of 62 as of March 1 in each year, and who are not survivors or disability annuitants. The affected annuitants will receive the following increases in lieu of the full adjustments:

- April 1983 - 3.3 percent, plus any amount by which the actual CPI increase exceeds 6.6 percent
- May 1984 - 3.6 percent, plus any amount by which the actual CPI increase exceeds 7.2 percent
- June 1985 - 3.3 percent, plus any amount by which the actual CPI increase exceeds 6.6 percent

It should be noted that while there will be a delay in the effective date of the potential cost-of-living increases for 1983, 1984, and 1985, this delay will have no effect on the proration of a retiree's or survivor's initial cost-of-living adjustment.

In addition to Civil Service retirees, the provisions of section 301 concerning retirement cost-of-living adjustments would apply to Foreign Service, CIA, and military retirees.

Section 301 would also provide that military retirees (other than those receiving retired pay on the basis of a wartime, service-connected disability) who are employed in civilian positions in the Government shall have the amount of any cost-of-living adjustments in their retired pay during fiscal years 1983, 1984, and 1985 deducted from their civilian pay during these three fiscal years. The amounts deducted will be deposited in the general fund of the Treasury.